

**MINUTES OF THE MEETING OF  
THE OVERSIGHT COMMITTEE OF THE  
LOCAL GOVERNMENT PROPERTY INSURANCE FUND**

**Monday, April 19, 2004**

**GEF III  
125 South Webster Street  
Madison, WI 53702**

Present: Kevin Houlihan  
Eileen Mallow  
Dan Bubolz  
Phil Kress  
Jane Kovacik  
Peter Medley

Absent: Glinda Loving

Guests: Dave Marchant  
Lowell Carter  
Fred Haring – Conference Call

Eileen Mallow called the meeting to order at 10:00 A. M.

The agenda was reviewed and no changes were made.

The minutes of the April 30, 2003 Oversight Committee were reviewed.

Upon a motion made by Peter Medley and seconded by Kevin Houlihan it was unanimously,

RESOLVED, that the minutes of April 30, 2003 are approved as presented.

The minutes of the November 12, 2003 Oversight Committee were reviewed.

Upon a motion made by Peter Medley and seconded by Kevin Houlihan it was unanimously,

RESOLVED, that the minutes of November 12, 2003 are approved as presented.

Dave Marchant reviewed financial reports for the quarter ending December 31, 2003 as well as several prior quarters. Policyholder surplus has increased to over \$18,000,000. The Fund is showing an underwriting gain of over \$4 million, up from a loss of over \$4 million twelve months ago. Net income numbers are very similar.

Although there have been some significant losses in the third quarter, it is anticipated that past rate increases should stimulate surplus growth and the combined ratio will remain satisfactory at well below 100%. There was some discussion regarding a few counties who have left the Fund during the past year, but overall policy count is up.

Upon a motion made by Peter Medley and seconded by Kevin Houlihan it was unanimously,

RESOLVED, that the Financial Report is accepted as presented.

Dan Bubolz discussed the Deloitte actuarial report, and rates have generally increased by about 90% overall due to revised rates and removal of caps on increases. The Fund now seems to be using adequate rates and other committees recommend that rates be unchanged for 2004. It appears that the new deductibles are having expected results of fewer claims being filed and a resulting improved loss ratio. Eileen Mallow mentioned that actuaries are attempting to limit their liability for their work, and this could be a major issue for the Fund in the future.

Kevin Houlihan reported that the Advisory Committee officers for the next year are: Kevin Houlihan, Chair; Glinda Loving, Vice Chair; and Nick Aliota 2<sup>nd</sup> Vice Chair.

Dave Marchant reported on the new software system (Pinsoft) that will be used for rating, policy issuance, and claims administration in the near future. Five year of claims history will be carried forward. The system should be live by the end of May for policy production and by the end of June for claims administration. Testing will be conducted at LGPIF's Administrator's office in the next few weeks. The cost will be approximately \$120,000.

Dan Bulolz reported on the reinsurance agreement effective 4/1/04. The broker is Willis of Wisconsin and coverage is layered among several "A" rated companies. The prior policy provided coverage of \$240 million for about \$5.3 million in premium while the new contract provides \$325 million in coverage with a premium of about \$4.5 million. Terrorism coverage is included for both domestic and foreign sources.

Dan Bubolz is also working with the Willis office to study the Fund's probable maximum loss (PML) exposure. Willis will study the top 10 risks in the pool which are mostly in the Milwaukee area. Dan will be working with the policyholders involved, also. Depending on the results of the study, reinsurance limits may need to be revised.

Work is continuing on the electronic statement of values project. Dan Bubolz explained the new system to the Committee and all were in favor of continuing. A total of three policyholders are willing to test it. Final costs for the project are unknown.

Eileen Mallow discussed the status of a pending claim for Marathon County. Appraisers approved by both the Fund and the insured have been named. Reinsurance will apply to any amount over \$500,000, and the reinsurers are involved in the settlement process.

Dan Bubolz reported that a disagreement between the Milwaukee Metropolitan Sewage District and American Appraisal Associates has been settled. Some types of property such as tunnels have been eliminated from the values.

The total component method (TCM) of property appraisals is a newer trend in the industry and the square footage method currently in use by the Fund may be phased out in the near future. Research will be conducted by The ASU Group staff and Dan Bubolz to determine what course to take. New information may need to be gathered from insureds, and values may increase. If there is a substantial increase in values, it is likely that rates would be adjusted to maintain the Fund's "breakeven" financial goal. Dan stated that a comparison test will be done involving several policyholders. Peter Medley asked if there would be a RFP for the new TCM and Dan indicated that there may be. ASU staff will check to see if there will be continuing support for the square footage method.

Lowell Carter reported on the meeting of the Claims and Policy Issues Subcommittee. The Subcommittee put forth several suggestions for policy revisions (see Advisory Committee report) and would like OCI staff to respond in writing. Following receipt of this information, the Subcommittee will meet again to work out differences. Ultimately, an attorney may be retained to write a new policy. Lowell also briefly discussed policy counts and premiums as shown in graphs from the Advisory Committee booklet.

Dan Bubolz mentioned that there have been discussions with ASU staff about the possibility of conducting educational seminars around the state to educate policyholders about their coverage, but no decision has been reached.

Dan Bubolz presented the Rating Subcommittee report which recommended that rates be maintained at current levels for 2004. This was based on information in the Deloitte study.

Upon a motion made by Kevin Houlihan and seconded by Peter Medley, it was unanimously

RESOLVED, that rates should remain at current levels for one more year and be reviewed again at that time.

The Rating Subcommittee also recommended that the Fund's surplus should be \$20 million as a minimum with a premium to surplus ratio of 1:1 in the near future. Dan mentioned that with a greater surplus the Fund might be able to negotiate lower reinsurance premiums due to a higher retention capability.

Upon a motion made by Peter Medley and seconded by Phil Kress, it was unanimously

RESOLVED, that the Oversight Committee would receive the Advisory Committee's recommendation and will review the surplus issue at the fall meeting.

Eileen Mallow suggested that work continue on rewriting the policies, but year-end was not necessarily a target date.

The next meeting of the Oversight Committee will be on Wednesday, November 10, 2004 at the same location commencing at 9:30 A. M.

Eileen Mallow adjourned the meeting at 11:50 A. M.

Respectfully submitted,

---

Lowell Carter, Acting Secretary

Date

ATTEST:

---

Eileen Mallow, Chair

Date